

AMENDED IN ASSEMBLY MARCH 4, 2004

AMENDED IN ASSEMBLY JUNE 19, 2003

**SENATE BILL**

**No. 574**

---

---

**Introduced by ~~Committee on Public Employment and Retirement (Soto (Chair), Karnette, and Scott)~~ Senator Alpert**

February 20, 2003

---

---

~~An act to amend Sections 22792 and 22793 of, and to add Sections 22793.3 and 22793.4 to, the Government Code, relating to the Public Employees' Medical and Hospital Care Act. An act to add Section 3702.85 to the Labor Code, relating to workers' compensation.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 574, as amended, ~~Committee on Public Employment and Retirement Alpert. Public Employees' Medical and Hospital Care Act Workers' compensation.~~

*Existing law requires employers that elect to be self-insured for workers' compensation liabilities to obtain a certificate of consent to self-insure from the Director of Industrial Relations, and requires employers that cease to be self-insured to discharge their continuing obligations to secure the payment of workers' compensation that accrued during the period of self-insurance by complying with various procedures, including the deposit and maintenance of a security deposit with the director for accrued liability. Under these provisions, an employer, who is currently self-insured or who has ceased to be self-insured, may choose to discharge, without recourse or liability to the Self-Insurers Security Fund, its continuing obligations as a self-insurer, by purchasing a special excess workers' compensation insurance policy, in accordance with existing provisions of law*

regarding the transfer of liability to insurers and subject to certain approvals and rate filing requirements.

*This bill would, notwithstanding any provision of law to the contrary, require the director to deem the purchase of loss portfolio transfer insurance prior to January 1, 2000, by prescribed local schools employers to have been the purchase of special excess workers' compensation policies pursuant to the above-described provisions. The bill would deem those policies to have been accepted by the director and would require the California Insurance Guarantee Association to discharge those liabilities in the event of the insolvency.*

*This bill would make certain findings and declarations regarding the inapplicability of a general statute within the meaning of Section 16 of Article IV of the California Constitution.*

~~The Public Employees' Medical and Hospital Care Act permits the Board of Administration of the Public Employees' Retirement System to contract with carriers for health benefits plans for employees and annuitants for a uniform term of at least one year, not to exceed 3 years.~~

~~This bill would instead require the Board of Administration to contract for these plans through multiyear contracts, and would eliminate the 3-year limitation on these contracts. The bill would require any carrier that contracts with the board to provide these plans to further provide specified disease management programs and incentives for the enrollment thereof, which include, but are not limited to, the elimination of drug refill copayments for patients with chronic diseases who enroll in these programs and who follow a specified regimen. The bill would also create a Public Employees' Medical and Hospital Care Act Review and Advisory Panel to monitor compliance with these provisions and report certain recommendations and findings to specified legislative committees.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 ~~SECTION 1. Section 22792 of the Government Code is~~
- 2 ~~SECTION 1. Section 3702.85 is added to the Labor Code,~~
- 3 ~~immediately following Section 3702.8, to read:~~
- 4 ~~3702.85. (a) Notwithstanding any provision of law to the~~
- 5 ~~contrary, including, but not limited to, Section 3702.8, the~~
- 6 ~~purchase by local schools employers, set forth in subdivision (b),~~

1 of loss portfolio transfer insurance prior to January 1, 2000, shall  
 2 be deemed by the director to have been the purchase of special  
 3 excess workers' compensation policies pursuant to subdivision (c)  
 4 of Section 3702.8. Those policies are hereby deemed to have been  
 5 accepted by the director under paragraph (4) of subdivision (c) of  
 6 that section. Moreover, the California Insurance Guarantee  
 7 Association shall discharge those liabilities in the event of the  
 8 insolvency.

- 9 (b) (1) Riverside Community College District.
- 10 (2) Mt. San Jacinto Community College District.
- 11 (3) Desert Community College District.
- 12 (4) Riverside County Office of Education.
- 13 (5) Cupertino Union School District.
- 14 (6) Desert Schools School Insurance Program for Employees.
- 15 (7) Palm Springs Unified School District.
- 16 (8) Palo Verde Unified School District.
- 17 (9) Palo Verde Community College District.
- 18 (10) Desert Sands Unified School District.
- 19 (11) Desert Center Unified School District.
- 20 (12) Coachella Valley Unified School District.
- 21 (13) Beaumont Unified School District.
- 22 (14) Western Riverside County School Insurance Program for  
23 Employees.
- 24 (15) Temecula Valley Unified School District.
- 25 (16) Murrieta Valley Unified School District.
- 26 (17) Lake Elsinore Unified School District.
- 27 (18) Banning Unified School District.
- 28 (19) Menifee Union School District.
- 29 (20) Val Verde School District.
- 30 (21) San Jacinto Unified School District.
- 31 (22) Romoland School District.
- 32 (23) Perris Union High School District.
- 33 (24) Perris School District.
- 34 (25) Nuview Union School District.
- 35 (26) Moreno Valley Unified School District.
- 36 (27) Jurupa Unified School District.
- 37 (28) Hemet Unified School District.
- 38 (29) West San Gabriel Workers' Compensation Joint Powers  
39 Authority.
- 40 (30) Duarte Unified School District.

- 1 (31) *Arcadia Unified School District.*
- 2 (32) *San Marino Unified School District.*
- 3 (33) *San Gabriel School District.*
- 4 (34) *Garvey School District.*
- 5 (35) *El Monte City School District.*
- 6 (36) *Valle Lindo School District.*
- 7 (37) *Temple City Unified School District.*
- 8 (38) *Rosemead School District.*
- 9 (39) *Mountain View School District.*
- 10 (40) *El Monte Union High School District.*
- 11 (41) *Santa Barbara City Schools.*
- 12 (42) *Santa Cruz/San Benito County Schools Insurance Group.*
- 13 (43) *Aromas-San Juan Unified School District.*
- 14 (44) *Willow Grove Union School District.*
- 15 (45) *Tres Pinos Union School District.*
- 16 (46) *Southside Elementary School District.*
- 17 (47) *San Benito High School District.*
- 18 (48) *San Benito County Office of Education.*
- 19 (49) *Panoche School District.*
- 20 (50) *North County Joint Union School District.*
- 21 (51) *Jefferson Elementary School District.*
- 22 (52) *Hollister Elementary School District.*
- 23 (53) *Cienega Union School District.*
- 24 (54) *Bitterwater Tulley Union School District.*
- 25 (55) *Soquel Union School District.*
- 26 (56) *Scotts Valley Unified School District.*
- 27 (57) *Santa Cruz County Office of Education.*
- 28 (58) *Santa Cruz City School District.*
- 29 (59) *San Lorenzo Valley Unified School District.*
- 30 (60) *Pajaro Valley Unified School District.*
- 31 (61) *Pacific Elementary School District.*
- 32 (62) *Mountain Elementary School District.*
- 33 (63) *Live Oak Elementary School District.*
- 34 (64) *Happy Valley Elementary School District.*
- 35 (65) *Cabrillo Community College District.*
- 36 (66) *Bonny Doon Union School District.*
- 37 SEC. 2. *Due to the unique circumstances concerning the*
- 38 *pre-January 1, 2000, actions by certain school employers to reach*
- 39 *a resolution to their workers' compensation funding problems*
- 40 *prior to the enactment of a statutory solution by the Legislature,*

1 *it is necessary that those employers not be penalized for taking*  
2 *decisive, early steps, in consultation with state regulators, to*  
3 *address serious workers' compensation funding issues, and the*  
4 *Legislature finds and declares that a general statute cannot be*  
5 *made applicable within the meaning of Section 16 of Article IV of*  
6 *the California Constitution.*

7 ~~amended to read:~~

8 ~~22792. (a) The board may, without compliance with any~~  
9 ~~provision of law relating to competitive bidding, enter into~~  
10 ~~contracts with carriers offering health benefits plans or with~~  
11 ~~entities offering services relating to the administration of health~~  
12 ~~benefits plans. Every contract for health benefits plans shall be a~~  
13 ~~multiyear contract. Every contract with entities providing~~  
14 ~~administrative services with respect to the operation of the board's~~  
15 ~~self-funded plan shall be on those terms as the board in its~~  
16 ~~discretion deems necessary or desirable.~~

17 ~~(b) The board may fix the beginning and ending dates of~~  
18 ~~contracts with carriers of health benefits plans and with entities~~  
19 ~~offering services in connection with the administration of health~~  
20 ~~benefits plans in a manner it deems consistent with administration~~  
21 ~~of this part. Irrespective of any agreed-upon termination date, the~~  
22 ~~board may extend a contract for a reasonable period of time,~~  
23 ~~subject to existing terms and conditions or any new terms and~~  
24 ~~conditions that are agreed upon.~~

25 ~~SEC. 2. Section 22793 of the Government Code is amended~~  
26 ~~to read:~~

27 ~~22793. (a) Each contract shall contain a detailed statement of~~  
28 ~~benefits offered and shall include the maximums, limitations,~~  
29 ~~exclusions, and other definitions of benefits as the board may deem~~  
30 ~~necessary or desirable.~~

31 ~~(b) No contract may be made or plan approved that excludes~~  
32 ~~any person on account of that person's physical condition, age,~~  
33 ~~race, or other status at the time of original group enrollment.~~  
34 ~~Transfer of enrollment in any plan shall be open to all employees~~  
35 ~~and annuitants in accordance with Section 22813.~~

36 ~~(c) No contract may be made or plan approved that does not~~  
37 ~~offer to each annuitant whose enrollment in the plan is terminated~~  
38 ~~other than by cancellation of enrollment, or each employee whose~~  
39 ~~enrollment in the plan is terminated other than by cancellation of~~  
40 ~~enrollment, voluntary separation from state service, or dismissal~~

1 from state service for cause, the option to convert, without  
2 evidence of good health and within the time limits that are  
3 prescribed by the carrier and approved by the board, to a nongroup  
4 contract providing health benefits. An employee or annuitant who  
5 exercises this option shall pay the full periodic charges of the  
6 nongroup contract, on the terms or conditions that are prescribed  
7 by the carrier and approved by the board.

8 (d) No contract may be made or plan approved that does not  
9 provide for grievance procedures to protect the rights of  
10 employees and annuitants.

11 (e) Each contract shall contain benchmarks for evaluating  
12 carrier performance based on current evidence-based “best  
13 practice” standards for disease management programs, including,  
14 but not limited to, medication adherence for the care of patients  
15 with chronic conditions.

16 SEC. 3. Section 22793.3 is added to the Government Code, to  
17 read:

18 22793.3. Any carrier that contracts with the board pursuant to  
19 Sections 22790 and 22792 shall do all of the following in relation  
20 to health benefits plans and disease management:

21 (a) Annually provide general patient population information to  
22 the board, including, but not limited to, the percentage of target  
23 groups enrolled in disease management programs and the degree  
24 of patient adherence to their medication regimen.

25 (b) Adopt strategies to increase patient participation in disease  
26 management programs. Goals for participation shall be specified  
27 for each program year.

28 (c) Adopt activities to prevent the onset of chronic diseases in  
29 patients by addressing the medical needs of the large insured  
30 population who are infrequently seen by medical staff, including,  
31 but not limited to, health assessment activities and programs to  
32 identify patients at risk for chronic disease. These activities and  
33 programs should involve family members of patients, community  
34 health groups, and patient support organizations, when  
35 appropriate, to encourage patient participation.

36 (d) Annually provide data to the board concerning trends in the  
37 population that have chronic diseases, including, but not limited  
38 to, their total pharmacy costs and hospital outpatient and inpatient  
39 days per year.

~~(c) Implement chronic disease management programs that include, but are not limited to, the diagnosing of a disease, the prescribing of appropriate and evidence-based drug therapy, the developing and monitoring of treatment plans, the tracking of patient adherence to the prescribed medication regimen, and the long-term followup of patient status, including, but not limited to, treatment costs. The following requirements shall also be imposed:~~

~~(1) Disease management programs with goals for patient outcomes shall be established for at least the following chronic conditions: arthritis, asthma, congestive heart failure, coronary artery disease, depression, diabetes, high cholesterol, hypertension, and mental illness.~~

~~(2) Incentives shall be provided for patients with chronic diseases or patients at high risk for chronic diseases who enroll in disease management programs and adhere to their treatment regimen.~~

~~(3) Drug refill copayments shall be eliminated for patients with chronic diseases who enroll in disease management programs and adhere to their treatment regimen.~~

~~(f) Provide preventive care programs to the entire patient population, when appropriate, in smoking cessation, obesity prevention and treatment, childhood immunizations, breast cancer screening, prostate cancer screening, and chlamydia screening.~~

~~(g) State on all prescriptions Patient International Classification of Diseases (ICD-9) codes.~~

~~(h) When disease management care is provided, provide a comprehensive patient prescription history.~~

~~(i) Eliminate handwritten prescriptions and implement electronic prescribing technology upon the third year of contracts with the board that are governed by this section.~~

~~SEC. 4.—Section 22793.4 is added to the Government Code, to read:~~

~~22793.4.—(a) There is hereby established the Public Employees' Medical and Hospital Care Act Review and Advisory Panel consisting of 11 members, as follows:~~

~~(1) The consumer moderator of the Public Employees' Medical and Hospital Care Act Advisory Panel, to serve as panel moderator.~~

~~(2) The Chair of the Health Benefits Committee of the board.~~



~~(3) A person in an administrative capacity from the Department of Personnel Administration.~~

~~(4) Four public members appointed by the Senate Committee on Rules, one member each from the California Medical Association, the California Nurses Association, the California Association of Health Plans, and an organization that represents active beneficiaries under this part.~~

~~(5) Four public members appointed by the Speaker of the Assembly, including a faculty member from a school of pharmacy, and one member each from the California Pharmacists Association, the Pharmaceutical Research and Manufacturers of America, and an organization that represents retired beneficiaries under this part.~~

~~(b) The panel shall do all of the following:~~

~~(1) Monitor compliance with subdivision (c) of Section 22793 and with Section 22793.3 by carriers.~~

~~(2) Review carrier efforts to establish benchmarks and “best practice” standards, as described in subdivision (c) of Section 22793, for disease management proposals prior to their presentation to the Health Benefits Committee of the board and the board for final contract evaluation and approval.~~

~~(3) Monitor carriers on their compliance with providing general patient information regarding enrollment of target groups in disease management programs pursuant to Section 22793.3, adherence to medication treatment plans, and the provision of programs to address the needs of patients at risk for developing chronic diseases.~~

~~(4) Work with carriers to set goals, update standards of care for the treatment of members with chronic conditions or who are at high risk for chronic diseases, and review patient compliance data.~~

~~(5) Review periodic surveys of carriers and members regarding the attainment of disease management goals and benchmarks.~~

~~(6) Monitor trends in prescription drug therapy and pharmacy expenditures for members, including, but not limited to, clinical and utilization data, patient compliance or adherence levels, and any concomitant reductions in hospitalizations and outpatient hospital days.~~

~~(c) The panel shall annually report its recommendations and findings in relation to subdivision (b) to the Senate Committee on Public Employment and Retirement and the Assembly Committee~~



1 ~~on Public Employees, Retirement and Social Security. These~~  
2 ~~reports shall be submitted in advance of any health benefits plan~~  
3 ~~contract award, renewal, or extension, as applicable.~~  
4 ~~(d) The term of office for each member shall be a period of five~~  
5 ~~years. Each member shall serve without compensation or~~  
6 ~~reimbursement of expenses.~~

O

